

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 120430

65-61

ORIGIN AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 FEA-01 AGR-05 INT-05 DODE-00 PA-01

PRS-01 IO-10 /109 R

DRAFTED BY AF/C:RRSTRAND:GJB

APPROVED BY AF:JJBLAKE

AF/EPS:RDUNCAN

EUR/CE:RDDAVIS

AF/C:WLCUTLER

AID/AFR:SCADAMS

ID/AFR:SCADAMS

----- 026764

P 222247Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY BONN PRIORITY

INFO AMEMBASSY KINSHASA PRIORITY

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY LONDON

LIMITED OFFICIAL USE STATE 120430

E.O. 11652: N/A

TAGS: EFIN, EAID, GW, US, CG

SUBJECT: ZAIRE FINANCIAL SITUATION

1. IN REPLYING TO KOCH, EMBASSY MAY DRAW ON INFO
PARAGRAPHS BELOW. SUGGEST YOU PROPOSE THAT DHONDT TAKE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 120430

OCCASION OF KINSHASA VISIT TO MEET WITH AMBASSADOR HINTON.

WHO HAS JUST RETURNED FROM CONSULTATIONS IN WASHINGTON AND MET WITH OFFICIALS IN BRUSSELS AND LONDON EN ROUTE BACK TO POST.

2. WE REGARD ZAIRE'S LIQUIDITY PROBLEM AS ESSENTIALLY SHORT-TERM, ALTHOUGH IT COULD HAVE SERIOUS IMPLICATIONS FOR THE COUNTRY AND FOR WESTERN INTERESTS IN ZAIRE IF IT IS NOT DEALT WITH APPROPRIATELY. ALTHOUGH MEDIUM- AND LONG-TERM DEBT HAS GROWN VERY RAPIDLY DURING PAST TWO YEARS, RESULTING SERVICING BURDEN IS WELL WITHIN CAPACITY OF ZAIRIAN ECONOMY TO BEAR AND SHOULD REMAIN SO FOR FORESEEABLE FUTURE WITH EXERCISE OF PRUDENCE IN ENGAGEMENT OF ADDITIONAL DEBT. EVEN AT PRESENT REDUCED LEVEL OF FOREIGN EXCHANGE EARNINGS, ZAIRE SHOULD BE ABLE TO MAKE ESSENTIAL IMPORTS AND TRANSFER PAYMENTS AND SERVICE ITS MEDIUM- AND LONG-TERM DEBT IF EXCHANGE EARNINGS ARE

PROPERLY ALLOCATED. WHAT IT CANNOT DO IS REDUCE SIGNIFICANTLY ITS SHORT-TERM COMMERCIAL DEBT, WHICH DOUBLED FROM 300 TO 600 MILLION DOLLARS IN COURSE OF 1974 AND NOW PROBABLY STANDS AT ABOUT 550 MILLION DOLLARS. THIS IS NOW GENERALLY NOT BEING PAID AS IT FALLS DUE, AND AS A CONSEQUENCE NEW COMMERCIAL CREDIT IS NOT BEING EXTENDED.

3. WITH COPPER PRICES EXPECTED TO RISE ONCE THERE IS INDUSTRIAL RECOVERY IN THE WEST AND ACCUMULATED STOCKS HAVE BEEN REDUCED, AND WITH DOMESTIC PETROLEUM PRODUCTION DUE TO OFFSET ZAIRE'S POL IMPORTS WITHIN A YEAR, ZAIRE'S LONGER-TERM PAYMENT PROSPECTS APPEAR GOOD. THE PROBLEM AS WE SEE IT WILL BE TO GET THROUGH THE NEXT YEAR OR SO WITHOUT CRIPPLING SHORTAGES, UNEMPLOYMENT AND INFLATION AND WITHOUT COLLAPSE OF EXTERNALLY FINANCED DEVELOPMENT PROJECTS INDUCED BY LOAN DEFAULTS.

4. TO DO THIS, WE BELIEVE, WILL REQUIRE CAREFUL ALLOCATION OF AVAILABLE FOREIGN EXCHANGE, BUDGETARY AND CREDIT RESTRAINT TO DAMPEN DOMESTIC DEMAND, REVISION OF PRICING POLICIES WHICH NOW DISCOURAGE AGRICULTURAL PRODUCTION, ORDERLY REFINANCING OF SHORT-TERM DEBT, AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 120430

SOME ADDITIONAL BALANCE OF PAYMENTS ASSISTANCE FOR PERIOD UNTIL POLICY MEASURES TAKE EFFECT. PRESENT DO-IT-YOURSELF PROGRAM OF RESTRAINTS IS NEITHER WORKING WELL NOR CREATING NECESSARY REVIVAL OF CONFIDENCE AMONG ZAIRE'S CREDITORS. TO ENSURE A TECHNICALLY EFFECTIVE PROGRAM AND TO INSPIRE CONFIDENCE NECESSARY TO ENABLE BANKING COMMUNITY AND GOVERNMENTS TO CONTRIBUTE TO IT, WE BELIEVE MOBUTU SHOULD TURN TO IMF. USG WOULD BE

FAVORABLY DISPOSED TO PROVIDING SOME ASSISTANCE IN CONTEXT
OF IMF-ORGANIZED STABILIZATION PROGRAM AND WOULD HOPE
OTHER INTERESTED WESTERN GOVERNMENTS WOULD ALSO. MAJOR
BURDEN, HOWEVER, WOULD HAVE TO FALL ON COMMERCIAL
CREDITORS. INGERSOLL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, DEVELOPMENT FINANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 22 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE120430
Document Source: CORE
Document Unique ID: 00
Drafter: RRSTRAND:GJB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750180-0724
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750526/aaaaaawww.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 11 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 APR 2003 by Izenbel0>; APPROVED <03 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ZAIRE FINANCIAL SITUATION
TAGS: EFIN, EAID, GE, US, CG
To: BONN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006